

September 23, 2010



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The Honorable Kris Mayes
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

2010 SEP 24 P 1:48 Arizona Corporation Commission

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Re: Denial of public comment on agenda item #19, open meeting date of September 22, 2010.
Docket # E-04204A-09-0206.

Dear Chairman Mayes,

The Arizona Association of REALTORS® (AAR) appreciates the continued conversation regarding electric utility line extensions. Since the reversal of the line extension policy in 2007, AAR has been actively involved in working with the Commission, legislature, and stakeholders to address our concerns regarding the devastating affects the removal of footage allowance has had on land values and homeowners throughout the State.

We again, showed up at the hearing on September 22, 2010 where there were two proposed amendments in the UNS Electric, Inc. case to address line extensions. I personally sat through eight hours of testimony on other cases waiting for the opportunity to discuss this issue with the Commission. I submitted a request to speak with staff, but was never recognized.

Our members represent clients throughout the state who have been drastically affected by the reversal of the line extension policy. We believe that our testimony was relevant to yesterday's discussion. Unfortunately, the Commission passed an amendment dealing with the line extension issue that once again was not discussed with those it affects. Although, we appreciate the Commissions desire to put this issue to rest, we think that it is important to vet the solutions with the stakeholders. There are several issues with the Mayes-proposed amendment #1 to the Stump-proposed amendment #1, which we would have like to have the opportunity to address with the Commission at yesterday's hearing. Since we were not extended the courtesy, I have included it in my comments attached.

As always, we are committed to working with the Commission on this issue. However, we believe that it needs to be a solution that all stakeholders have the opportunity to participate in. The Mayes amendment was described as a compromise amendment at yesterday's hearing. Although, it may be a compromise for some of the Commissioners, we, as stakeholders, were never afforded the opportunity to address the amendment, and do not agree that it is a compromise. We have concerns about its implementation.





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We will continue to work diligently with anyone concerned about the line extension policy. We believe there is a prudent solution to the issue that protects new and existing customers, and we hope that in the future, the Commission allows the public to be heard each time this issue is addressed in a public forum.

Tom Farley or I would be happy to answer any additional question you may have regarding our position on the approved amendment. We can be reached at (602) 248-7787.

Sincerely,

Meghaen Duger
Vice President of Government Affairs
Arizona Association of REALTORS ®

Enclosures

CC: Docket # E-04204A-09-0206
Commissioner Gary Pierce
Commissioner Sandra Kennedy
Commissioner Bob Stump
Commissioner Paul Newman
Governor Jan Brewer
President Bob Burns
Senate Majority Leader Chuck Gray
Senate Minority Leader Jorge Garcia
Speaker Kirk Adams
House Majority Leader John McComish
House Minority Leader David Lujan
Senator Ron Gould
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Madam Chair, members of the Commission for the record my name is Meghaen Duger and I am the Vice President of Government Affairs for the Arizona Association of REALTORS®.

I am here today to speak in support of the Stump-proposed amendment # 1. Our members represent clients throughout the state of Arizona who have been drastically affected by the reversal of the line extension policy. Although we understand the Commission's desire to require growth to pay for itself, we believe that removal of a footage allowance has resulted in substantial inequities. The current policy results in growth paying more than their fair share, and does not recognize new customers as a benefit to the utility. In removing the footage allowance those new customers not only pay for their line extension, but also for the cost of all previous line extension because these costs were included in rate base.

We believe that growth can have a positive impact on a system, as it can reduce costs for existing customers when large investments need to be made. We hope that the benefits that come with growth, as it relates to the expansion of the electrical grid, can also be taken into consideration today.

The current policy has devastated land values throughout the state, and rural communities have taken the most severe hit. Those communities also have some of the lowest household income levels in the state. The Stump-proposed amendment #1 would revert back to Arizona's previous line extension policy that was in place since the early 1950's. We believe this would be the easiest to understand for customers and to implement by the utility. Most customers know the dimensions of their property and how many feet it is to hook up.

According to UNS, the Stump-proposed amendment #1 would cost less than 1-cent a month. I believe that the relief it would provide to those like Roberta Birdsell, the 72 year-old living without electricity is worth the infrastructure investment of 1-cent a month.

There has been a lot of discussion in regards to the cost of the line extension policy in 2005-2007. As you know, those were abnormal growth years that Arizona is unlikely to ever see again. Furthermore, in the UNS territory this sort of growth was never realized, and UNS actually opposed the removal of a footage allowance.

As it relates to the Mayes-proposed amendment #1 to the Stump-proposed amendment #1, we see some complications in the implementation of the policy.

1. It requires a person to know the size they will build their home, type of units they will use, etc. prior to pulling the line. This can change, and often does during the building process.
2. You may have a person who wants to improve their lot by extending electricity but then sell it to someone else who will build.
3. The utility will be hooking up a "forever" customer. Yet, the amendment only recognizes the customers' benefit for two years. Under the Stump amendment it would take eight

years. With the utility making a profit from that home for the rest of the homes existence.

4. As the Commission has seen over and over again, the cost of these extension are arbitrary, and change several times throughout the process. This is why we prefer a footage allowance. The numbers don't keep moving.

We ask for your support and consideration today of the Stump-proposed amendment #1, and we also commit to you that we will continue to address this issue in the Commission workshop process. However, due to the impacts it has had on rural Arizona, we feel that it is prudent to provide those customers in UNS' territory relief.